

Topic C: Budgeting

MHE5402

Accounting and Financial Management for Executives

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Cash Management

- ▶ **Efficient cash management**
- ▶ **Hold a decent amount of money**
- ▶ **Cash estimates**
- ▶ **Plan cash usage**
- ▶ **Not to be broken, and not to be exceeded.**



Capital definition and capital flow statements

- ▶ **Capital flow statement is a statement of the source and use of capital, capital is cash, capital is working capital, capital is investment and claims.**



Acquisition and use of funds

- ▶ **Sources of funds**
- ▶ **operating capital, decreased assets, increased liabilities. increased equity, etc.**

- ▶ **Sources of capital expenditure**
- ▶ **funds used in operations**
Increased assets reduced debt, etc.

Cash budget

▶ Sales budget

+ *(Revenue)*

- **Cash budget received from the sale of goods.**

◦ Purchase budget

- *(Item cost)*

- **Cash budget paid from purchases**

◦ Expense budget

- *(Other expenses)*

+ *Net Profit*

- *Net loss*

Cash budget received from the sale of goods

- ▶ **Estimate cash received from the sale of goods in cash or receive cash from other income In the case of selling as trust money, the debtor must plan an estimate of cash receipt from debt repayment.**



XYZ Company Limited

Cash statements received from the sale of goods

For 6 months July to December 25xx

(Million Baht)

month	5	6	7	8	9	10	11	12
Cash Receipts								
Sell believe.	200	250	300	400	500	350	250	200
Pay 20%, pay within the month, get 2% discount	39.2	49	58.8	78.4	98	68.6	49	39.2
Pay 70% next month		140	175	210	280	350	245	175
Pay 10% next two months			20	25	30	40	50	35
Total Payments (A)			253.8	313.4	408	458.6	344	249.2

Cash budget paid from purchases

- ▶ It is an estimate of cash payments from purchases of goods in cash or an estimate of cash to pay for various expenses of the business. In the case of buying goods as money, it is necessary to plan an estimate of cash payments to pay off debts according to the terms of the creditor's loan in order to obtain the amount of cash paid from the purchase of goods in each period.

Cash payments

Buy believe.

Purchases of 70% of sales in the following month

210 280 350 245 175 140 280

Pay off the debt the following month.

210 280 350 245 175 140

salary

30 40 50 40 30 30

rent

15 15 15 15 15 15

Other expenses

10 15 50 15 10 30

Buy machinery

100

Total cash paid (B)

265 350 465 415 230 215

Net Cash (A-B)

-11.2 -36.6 -57 43.6 114 34.2

Cash budgeting

- ▶ The list of operations includes: Cash receipts and cash payments from operations Financial Transactions The financial manager can analyze financial condition from: Whether there is sufficient cash or liquidity to operate.

Cash budget planning

Cash at the beginning of the period	15	10	10	10	53.6	65.31
Net Cash (A-B)	-11.2	-36.6	-57	43.6	114	34.2
Cash balance	3.8	-26.6	-47	53.6	167.6	99.51
Loans	6.2	36.6	57	0	-99.8	0
Interest paid	0	0	0	0	-2.49	0
Cash at the end of the period	10	10	10	53.6	65.31	99.51

Note: Minimum cash at the end of the period 10

Interest repaid with total principal

How to charge interest rates

▶ Loan x Interest Rate 12% x Loan period from one year

- July- November $6.2 \times 12\% \times 4/12 = 0.25$
- August- November $36.6 \times 12\% \times 3/12 = 1.10$
- September- November $57 \times 12\% \times 2/12 = 1.14$
- Total $= 2.49$

Benefits of cash budgeting

- ▶ To know the source and how it was used, for what period of time and how much, to know the future financial liquidity. Is there good liquidity in each period? How much cash is missing or exceeding the demand? Use planning for various financing
Used as supporting information in the preparation of advance income statements and financial statements. in advance It is used as a tool to control and evaluate performance.

Summarize

- ▶ The purpose of cash management is to ensure that the business holds as little cash in hand as possible. At the same time, the business must be able to operate efficiently. There are 3 steps in cash management: (1) setting a minimum cash amount (2) efficiently storing cash and paying cash payments (3) investing excess cash in securities in market demand.
- ▶ The reasons for holding cash are as follows: (1) for transactions, (2) to prevent cash shortages or precaution, (3) for speculation.